

# CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

## BILL ANALYSIS

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### **Assembly Bill 2982**

**Assembly PER&SS (Amended 4/8/02)**

### **Position:**

**Sponsor**

### **Proponents:**

**None known**

### **Opponents:**

**None known**

## **SUMMARY**

Assembly Bill 2982 is the annual California State Teachers' Retirement System (CalSTRS) technical housekeeping bill. The bill makes various grammatical, technical and conforming changes to the Teachers' Retirement Law (TRL) to facilitate efficient administration of the State Teachers' Retirement Plan (Plan), which includes the Defined Benefit (DB) Program, the Defined Benefit Supplement (DBS) Program and the Cash Balance (CB) Benefit program. The specific changes include:

- Change in the definition of "creditable service" to conform an expanded definition of "creditable compensation";
- Clarification regarding the rights of substitute teachers and part-time employees to elect membership;
- Clarification in the community property rights of a nonmember spouse in the DBS Program;
- Clarification in participation in the Reduced Workload Program (RWP) following reinstatement;
- Clarification in eligibility for disability benefits under the DBS Program;
- Authority to collect overpayments made from the Medicare Premium Payment Program;
- Clarification of the right to participate in the CB Benefit Program when working for more than one employer;
- Correction of grammatical errors and name changes in the TRL.

## **HISTORY**

Chapter 800, Statutes of 2001 (SB 334—Ortiz) increases benefits for members who retire for service, reinstate, and perform creditable service for two years following reinstatement from a prior retirement.

Chapter 74, Statutes of 2000 (AB 1509—Machado) requires that 25 percent of the contributions of members of the DB Program be credited for the next ten years to a separate nominal account in the DBS Program.

Chapter 1020, Statutes of 2000 (AB 820—Assembly PER&SS), among other provisions, allows an employee to participate in the DB Program with one employer and participate in the CB Benefit Program for different employers.

Chapter 1021, Statutes of 2000 (AB 2700—Lempert) makes all compensation for creditable service creditable to CalSTRS and credits member and employer contributions for service in excess of 1.000 years of service per school year to the DBS Program.

Chapter 1032, Statutes of 2000 (SB 1435—Johnston) requires CalSTRS to pay the Medicare Part A premium for retired members who are not eligible for Medicare Part A without payment of a premium.

Chapter 592, Statutes of 1995 (AB 1298—Ducheny) creates the CB Benefit Program for various part-time employees performing less than 50 percent of the full-time equivalent for the position.

## **DISCUSSION**

### **1. Change in the definition of “creditable service” to conform an expanded definition of “creditable compensation”**

Chapter 1021, Statutes of 2000 (AB 2700—Lempert) makes all compensation for creditable service creditable to CalSTRS, including compensation paid in excess of the full-time assignment. The bill makes a conforming change in the definition of creditable service.

*Education Code section affected by amendment: 22119.5(a)(6)*

### **2. Clarification regarding the rights of substitute teachers and part-time employees to elect membership**

Current law permits substitute teachers and other part-time employees whose level of employment does not require membership in the DB Program to elect membership in the program. The law also permits a DB Program member who begins service in a classified position to elect whether that service would be covered by the DB Program or the California Public Employees' Retirement System (CalPERS). Some employers have interpreted the law to prohibit a DB Program member who changes to a classified position from electing CalPERS coverage unless the member refunds his or her DB Program contributions. The bill clarifies that such a refund is not required.

*Education Code section affected by amendment: 22515*

**3. Clarification of the community property rights of a nonmember spouse in the DBS Program**

Existing law extends the provisions of the TRL to nonmember spouses who are eligible for benefits in the plan under community property laws. The bill extends applicable provisions governing the DBS Program to the nonmember spouse under community property laws.

*Education Code section affected by amendment: 22657*

**4. Clarification of participation in the Reduced Workload Program (RWP) following reinstatement**

Chapter 800, Statutes of 2001 (SB 334—Ortiz) increases the benefits paid to retired DB Program members who reinstate and perform at least two years of credited service after reinstatement. Existing law also permits DB Program members who are at least age 55 and have been employed for at least 10 years, including the 5 years immediately preceding the reduced workload, to receive a full-year's service credit, subject to full payment of contributions. There can be no break in service between the completion of the five years and the beginning of the reduced workload. This bill clarifies that a member who reinstates from retirement has experienced a break in service, to further the intent of SB 334 to improve benefits for reinstated members who perform the equivalent of two full years of service.

*Education Code section affected by amendment: 22713*

**5. Clarification of eligibility for disability benefits under the DBS Program**

Current law establishes the criteria for receiving a disability benefit under the DBS Program. The law changes the current requirement that the member "terminate" employment to "cease" employment, to be consistent with requirement for receiving disability benefits under the DB Program.

*Education Code section affected by amendment: 25017*

**6. Authority to collect overpayments made from the Medicare Premium Payment Program**

Under the Medicare Premium Payments (MPP) Program, CalSTRS pays the Medicare Part A (Hospitalization) premiums and Part A and Part B (Physician Services) surcharges for retired DB program members who are not eligible for premium-free coverage. In a small number of instances, CalSTRS overpays Medicare Part A or Part B premiums and surcharges on behalf of a retired DB Program member. Current law provides no mechanism for CalSTRS to recover those overpayments, although current law does authorize CalSTRS to recover overpayments of DB Program and DBS Program benefits. The bill permits CalSTRS to collect an MPP overpayment,

or any overpayment from any future health benefits program, from the member's DB Program benefit.

*Education Code section affected by amendment: 25955*

**7. Clarification of the right to participate in the CB Benefit Program when working for more than one employer**

Chapter 1020, Statutes of 2000 (AB 820—Assembly PER&SS) and Chapter 803, Statutes of 2001 (SB 501—Senate PE&R) permit certificated employees to perform service in the CB Benefit Program for one employer and the DB Program for another employer if the second employer does not offer the CB Benefit Program. The bill makes conforming changes to the law.

*Education Code section affected by amendment: 26400(d)*

**8. Correction of grammatical errors and name changes in the TRL**

➤ The bill changes a comma to a period in references to '14.2' and removes the phrase "on account of the death of the participant or the beneficiary" which is redundant.

*Education Code sections affected by amendment: 24209.3(3)(D) and (4)(C) and 27004(b)(2)*

➤ The bill changes the name of the Health Care Financing Administration to reflect its new name (Medicare and Medicaid Services), and to automatically reflect any future change in the agency's name.

*Education Code section affected by amendment: 25940(a) and (e)*

➤ The bill deletes reference to Education Code Section 22707 because it was repealed in 1997.

*Education Code section affected by amendment: 24705*

**FISCAL IMPACT**

Benefit Program Costs – None known

Administrative Costs – Minor and absorbable

**BOARD POSITION**

Sponsor. This bill will make grammatical and technical amendments necessary for continued effective administration of the system. It also deletes superfluous provisions of the law.